

**TOWN OF UTICA, MISSISSIPPI**  
**ANNUAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2010**

**Town of Utica, Mississippi**  
**Table of Contents**  
**Year Ended September 30, 2010**

	Page
<b>INTRODUCTORY SECTION:</b>	
List of Elected and Appointed Officials	1
<b>FINANCIAL SECTION:</b>	
Independent Auditors' Report	2
Management's Discussion and Analysis	4
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Fund	12
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	16
Statement of Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	19
Statements of Cash Flows - Proprietary Funds	20
Notes to the Basic Financial Statements	22
<b>ADDITIONAL AUDITORS' REPORTS:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	34
Independent Auditors' Report on Compliance with State Laws and Regulations	36
Schedule of Findings and Responses	38

**Town of Utica, Mississippi**  
**Table of Contents**  
**Year Ended September 30, 2010**

Page

---

**STATISTICAL SECTION:**

General Fund:

Schedule of Revenues by Source and Expenditures by Function	40
Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections on 2009 Ad Valorem Taxes	41
Schedule of Surety Bonds for Municipal Officials	42

**TOWN OF UTICA, MISSISSIPPI**  
**INTRODUCTORY SECTION**  
**YEAR ENDED SEPTEMBER 30, 2010**

**TOWN OF UTICA, MISSISSIPPI  
LIST OF ELECTED AND APPOINTED OFFICIALS  
AS OF SEPTEMBER 30, 2010**

Mayor - Mark Morgan

Alderman - Ward I - Earl Mathes

Alderwoman - Ward II - Mary Ann Keith

Alderman - Ward III - Kenneth Frazier, Jr.

Alderman - Ward IV - Kenneth Broome

Alderwoman at Large - Doris Ross

Town Clerk - Lisa Morris

Utility Clerk - Mary Moreland

Court Clerk - Jessica Boyd

Police Chief - Timothy Myles



## **EUBANK & BETTS**

A Professional Limited Liability Company

**CERTIFIED PUBLIC ACCOUNTANTS**

3820 Interstate 55 North / Post Office Box 16090 / Jackson, Mississippi 39236-6090 / Phone (601) 987-4300 / Fax (601) 987-4314

### **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Board of Aldermen  
Town of Utica, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Utica, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011, on our consideration of the Town of Utica, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Utica, Mississippi's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



EUBANK & BETTS, PLLC

Jackson, Mississippi  
January 31, 2011

**TOWN OF UTICA, MISSISSIPPI**

**FINANCIAL SECTION**

**YEAR ENDED SEPTEMBER 30, 2010**

## Management's Discussion and Analysis

As management of the Town of Utica, we offer readers of the Town of Utica's financial statements this narrative overview and analysis of the financial activities of the Town of Utica for the fiscal year ended September 30, 2010.

### Financial Highlights

- The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$2,156,392 (*net assets*). Of this amount, \$404,553 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets of the governmental activities were \$551,280 as compared to the prior year of \$589,700, a decrease of approximately \$38,000. The net assets of the business-type activities (Proprietary Funds) were \$1,605,112 as compared to the prior year of \$1,505,876, an increase of approximately \$99,000.
- The Town had general governmental expenditures for 2010 that were \$341,576 less than the prior year. This decrease was primarily due to a decrease in grant expenditures. Tax revenues generated income of \$68,760 from property taxes and \$147,677 from sales tax allocations. Total revenues amounted to \$381,462 for governmental programs. Last year the Town had a deficiency of revenues under expenditures of \$59,512 which is comparable to this year's deficiency of \$63,190.
- In the Town's business-type activities, revenues totaled \$700,540 while expenditures totaled \$552,965 for a net operating income of \$147,575, approximately \$203,000 more than prior year.
- Budgeted governmental revenues were \$349,251; however, actual revenues were \$41,694 more than budget for a total of \$390,945 due primarily from collections of more fines and forfeits than anticipated. Expenses budgeted amounted to \$441,201 while actual expenditures were \$504,297 due primarily to police expenditures and purchases of fire protection supplies. Annually, the Town budgets a transfer into the General Fund from the Proprietary Fund. This year the Town budgeted \$90,750 but only transferred in \$50,000 from the Proprietary Funds.

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in the report for review. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

### Reporting the Town

Our analysis of the Town is included in this report in three sections: Introductory, Financial and Statistical. The introductory section includes a listing of the Town Officials. The financial section includes the Statement of Net Assets and the Statement of Activities and report information about the Town and its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the

current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes for the year. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether the Town's financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** - Most of the Town's basic services are reported here, including the police, fire, and general administration. Property taxes, sales taxes, sanitation and utility franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water system and gas system are reported here.

### **Reporting the Town's Most Significant Funds**

Our analysis of the Town's major funds begins in this report after this discussion. The fund financial statements provide detailed information about the most significant funds. Some funds from time to time are required to be established by State law. The Town does not have any bonded indebtedness and; therefore, is not subject to any bond covenants. The Town Council establishes controls to manage the Town's assets for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funds. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental funds** - The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.
- **Proprietary funds** - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds that also include a cash flow statement.

### **The Town from October 1, 2009 to September 30, 2010**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's *combined* net assets amounted to \$2,156,392 at September 30, 2010. The largest portion of the Town's net assets (81.24%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). There is no outstanding debt on the capital assets. The town of Utica uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. If the capital assets had debt, the Town would report investment in capital assets net of related debt. It should be noted that the resources needed to repay debt related to capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Town of Utica's Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Current and other assets	\$ 155,463	\$ 942,104	\$ 1,097,567
Capital assets	<u>752,506</u>	<u>999,325</u>	<u>1,751,831</u>
Total assets	907,969	1,941,429	2,849,398
Other Liabilities	<u>356,689</u>	<u>336,317</u>	<u>693,006</u>
Total liabilities	356,689	336,317	693,006
Net assets			
Invested in capital assets, net of related debt	752,506	999,325	1,751,831
Restricted assets	8	-	8
Unrestricted (deficit)	<u>(201,234)</u>	<u>605,787</u>	<u>404,553</u>
Total net assets	<u>\$ 551,280</u>	<u>\$ 1,605,112</u>	<u>\$ 2,156,392</u>

The Town's net assets for our governmental activities decreased by \$38,420 during the current fiscal year ended September 30, 2010. The deficit in unrestricted governmental net assets arose primarily because the Town General Fund owed the Proprietary Funds net \$317,641 at September 30, 2010.

The net assets of our business-type activities increased by \$99,236 during the current fiscal year ended September 30, 2010. The Town generally uses these net assets to finance the continuing operations of the water system and gas system operations.

The Town's total revenues for the General Fund were \$381,462 for 2010 while the revenues for 2009 were \$786,361. The decrease in revenues is primarily due to a decrease in federal aid of approximately \$373,000.

#### Governmental Activities

Revenues for the Town's governmental activities decreased by \$345,254 or 43.91%, while total expenses decreased by \$341,576 or 40.38%. Expenses over revenues of approximately \$63,000 is attributable to increased costs of the Police and equipment purchases for fire protection.

The cost of the Town's programs are reflected in the financial statements. The net cost shows the financial expenditures for the Town by each of these functions.

## Governmental Activities

General government	\$ 108,144
Public Safety	297,910
Public works	87,768
Cemetery	8,400
Debt service interest	2,075
Total	<u>\$ 504,297</u>

### Business-type Activities

Revenues of the Town's business-type activities amounted to \$700,540 for 2010 while operating expenses totaled \$552,965. The gas system and water system operated at a net income of \$133,135 and \$14,440, respectively. Total operating revenues business-type activities increased approximately \$193,000 due primarily to an increase in the demand for natural gas. Total operating expenses remained relatively consistent with the prior year, only decreasing approximately \$10,000.

### The Town's Funds

The Town's funds are invested to provide for interest to be received on the funds at the best available rates from the bank. All funds are collateralized by securities owned by the bank to insure the safety of the money of the people of the Town of Utica.

### General Fund Budgetary Highlights

The budget was amended to adjust the appropriations of revenues and expenditures. The original budget was increased \$57,000 for additional revenues anticipated from sales taxes, fines and forfeits, and public works. Expenditures were increased \$26,000 for an anticipated increase in police salaries and vehicle expense. In addition, the transfer in of funds from business-type activities was decreased \$40,000.

### Capital Asset and Debt Administration

#### Capital Assets

At the September 30, 2010, the Town of Utica's investment in capital assets for its governmental and business type activities was \$1,751,831 (net of accumulated depreciation). The investment included a broad range of capital assets, including land, buildings, roads, bridges, police and fire equipment, machinery and equipment for the Natural Gas and Waterworks Systems.

Capital asset acquisitions during the current fiscal year included the following:

Fire equipment	\$ 19,272
Police station improvements	\$ 5,500
Waterworks system equipment	\$ 1,350

## **Debt**

At year-end, the Town had no outstanding debt obligations for governmental or proprietary funds.

## **Economic Factors and Next Year's Budgets and Rates**

The Town's elected and appointed officials considered many factors when setting the fiscal year budget, tax rates and fees that will be charged for the various activities. One of these factors is the economy and the general composition of the population of the Town and the resources available to the community.

All these factors are taken into consideration when the Budget is drafted each year for our Town including the amounts from the General Fund and the Proprietary Fund as well as the overall economy of the State of Mississippi. The Town does not have any major debts to service and this is a big factor in the stability of the financial position of our Town. Your officials seek to maintain a budget that will provide for the services necessary for the people of Utica.

## **Independent Audit**

The Town requires an annual audit of the books of account, financial records and transactions of all administrative departments of the Town by independent certified public accountants. This requirement has been complied with and the independent auditors' report has been included in this report.

The Town council functions as the audit committee and reviews all recommendations made by our independent auditors.

## **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Town Clerk at Town Of Utica, 110 White Oak Street, Utica, Mississippi.

**Town of Utica, Mississippi**  
**Statement of Net Assets**  
September 30, 2010

	<b>Governmental Business-type</b>		<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 128,907	\$ 317,763	\$ 446,670
Due from other funds	-	491,187	491,187
Accounts receivable, net:			
Customers	-	36,268	36,268
Property taxes	595	-	595
Sales tax allocation	11,576	-	11,576
Utility franchise fee	4,285	-	4,285
Public works	6,518	-	6,518
Interest receivable	20	112	132
Prepaid expenses	3,554	334	3,888
Restricted cash and investments	8	96,440	96,448
Capital assets:			
Land	71,105	29,150	100,255
Other capital assets, net of accumulated depreciation	681,401	970,175	1,651,576
Total assets	<u>907,969</u>	<u>1,941,429</u>	<u>2,849,398</u>
<b>Liabilities:</b>			
Due to other funds	317,641	173,546	491,187
Accounts payable	24,923	89,985	114,908
Accrued expenses	14,125	7,019	21,144
Customer deposits	-	64,458	64,458
Unredeemed bonds and interest	-	1,309	1,309
Total liabilities	<u>356,689</u>	<u>336,317</u>	<u>693,006</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	752,506	999,325	1,751,831
Restricted for public safety	8	-	8
Unrestricted (deficit)	(201,234)	605,787	404,553
Total net assets	<u>\$ 551,280</u>	<u>\$ 1,605,112</u>	<u>\$ 2,156,392</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statement of Activities**  
Year Ended September 30, 2010

Functions/Programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets		
				Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 108,144	\$ -	\$ -	\$ (108,144)	\$ -	\$ (108,144)
Public safety:						
Police	278,608	-	-	(278,608)	-	(278,608)
Fire protection	19,302	-	-	(19,302)	-	(19,302)
Public works	87,768	59,645	-	(28,123)	-	(28,123)
Cemetery	8,400	-	-	(8,400)	-	(8,400)
Interest	2,075	-	-	(2,075)	-	(2,075)
Total governmental activities	<u>504,297</u>	<u>59,645</u>	<u>-</u>	<u>(444,652)</u>	<u>-</u>	<u>(444,652)</u>
<b>Business-type activities:</b>						
Waterworks	232,578	247,018	-	-	14,440	14,440
Gas	320,387	453,522	-	-	133,135	133,135
Total business-type activities	<u>552,965</u>	<u>700,540</u>	<u>-</u>	<u>-</u>	<u>147,575</u>	<u>147,575</u>
<b>Total</b>	<u>\$ 1,057,262</u>	<u>\$ 760,185</u>	<u>\$ -</u>	<u>(444,652)</u>	<u>147,575</u>	<u>(297,077)</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statement of Activities**  
Year Ended September 30, 2010

	<b>Net (Expense) Revenue and Changes in Net Assets</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General revenues:</b>			
Property taxes levied for:			
General purposes	68,760	-	68,760
State aid not restricted to specific purposes	147,677	-	147,677
Licenses and permits	2,728	-	2,728
Fines and forfeits	73,401	-	73,401
Utility franchise fees	12,543	-	12,543
Intergovernmental revenues	9,748	-	9,748
Miscellaneous	16,443	-	16,443
<b>Interest income</b>	162	1,659	1,821
<b>Transfers</b>	50,000	(50,000)	-
<b>Total general revenues, interest income and transfers</b>	<u>381,462</u>	<u>(48,341)</u>	<u>333,121</u>
Change in net assets	(63,190)	99,234	36,044
<b>Net assets - beginning</b>	<u>614,470</u>	<u>1,505,878</u>	<u>2,120,348</u>
<b>Net assets - ending</b>	<u>\$ 551,280</u>	<u>\$ 1,605,112</u>	<u>\$ 2,156,392</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Balance Sheet**  
**Governmental Fund**  
September 30, 2010

	<b>General Fund</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 128,907
Accounts receivable, net:	
Property taxes	595
Sales tax allocation	11,576
Utility franchise fee	4,285
Sanitation fees	6,518
Interest receivable	20
Prepaid expenses	3,554
Total Assets	\$ 155,455
 <b>Liabilities and fund balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 24,923
Accumulated absences	14,125
Due to other funds	317,641
Total Liabilities	356,689
 <b>Fund balances (deficit):</b>	
Unrestricted	(201,234)
Total fund balances (deficit)	(201,234)
Total liabilities and fund balances	\$ 155,455

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Fund**  
**to the Statement of Net Assets**  
September 30, 2010

---

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds</b>	\$ (201,234)
Reconciling items:	
Other long-term assets (restricted cash) are not available to pay current-period expenditures and, therefore are deferred in the funds	8
Capital assets are not financial resources and, therefore, are not reported in the funds	<u>752,506</u>
<b>Total net assets - governmental activities</b>	<u>\$ 551,280</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
Year Ended September 30, 2010

	<b>General Fund</b>
<b>Revenues:</b>	
Property taxes	\$ 68,760
Sales taxes	147,677
Licenses and permits	2,728
Fines and forfeits	73,401
Utility franchise fees	12,543
Public works	59,645
Intergovernmental revenues	9,748
Miscellaneous	16,443
Total revenues	390,945
<b>Expenditures:</b>	
General government	108,144
Public safety:	
Police	278,608
Fire protection	19,302
Public works	87,768
Cemetery	8,400
Debt service	2,075
Total expenditures	504,297
Deficiency of revenues under expenditures	(113,352)
<b>Other financing sources:</b>	
Interest income	162
Transfers	50,000
Total other financing sources	50,162
Net change in fund balances	(63,190)
<b>Fund balances - beginning</b>	614,470
<b>Fund balances - ending</b>	<b>\$ 551,280</b>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Government Fund to the Statement of Activities**  
**Year Ended September 30, 2010**

---

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances-total governmental funds</b>	<b>\$ (63,190)</b>
None	<u>                  -</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ (63,190)</u></b>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes				
Real estate	\$ (49,230)	\$ (45,694)	\$ (45,694)	\$ -
Automobile	(15,454)	(13,604)	(13,523)	(81)
Bad debts	(300)	(793)	(874)	81
Utilities	<u>(9,267)</u>	<u>(8,669)</u>	<u>(8,669)</u>	<u>-</u>
Total property taxes	(74,251)	(68,760)	(68,760)	-
Sales taxes	(146,000)	(169,554)	(147,677)	(21,877)
Licenses and permits	(5,500)	(2,728)	(2,728)	-
Fines and forfeits	(40,000)	(60,776)	(73,401)	12,625
Utility franchise fees	(14,000)	(14,000)	(12,543)	(1,457)
Public works	(59,000)	(64,463)	(59,645)	(4,818)
Intergovernmental revenues				
Fire Protection rebate	-	(5,260)	(5,261)	1
Grand Gulf tax	<u>(4,500)</u>	<u>(4,487)</u>	<u>(4,487)</u>	<u>-</u>
Total intergovernmental revenues	(4,500)	(9,747)	(9,748)	1
Miscellaneous	<u>(6,000)</u>	<u>(16,443)</u>	<u>(16,443)</u>	<u>-</u>
Total revenues	<u>(349,251)</u>	<u>(406,471)</u>	<u>(390,945)</u>	<u>(15,526)</u>
<b>Expenditures:</b>				
Current:				
General government				
Salaries	43,640	39,066	42,434	(3,368)
Employee benefits	12,290	5,869	9,451	(3,582)
Office supplies	17,500	18,883	19,055	(172)
Operating supplies	3,100	2,003	2,053	(50)
Repairs and maintenance	1,500	5,061	5,980	(919)
Utilities	12,800	3,512	3,512	-
Insurance	8,000	7,571	9,961	(2,390)
Professional services	16,500	21,000	15,490	5,510
Bad debts	<u>-</u>	<u>-</u>	<u>208</u>	<u>(208)</u>
Total general government	<u>115,330</u>	<u>102,965</u>	<u>108,144</u>	<u>(5,179)</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety				
Police				
Salaries	124,000	141,671	153,737	(12,066)
Employee benefits	24,331	28,512	34,900	(6,388)
Training	3,500	710	665	45
Operating supplies	31,350	21,446	14,128	7,318
Uniforms	2,000	1,248	1,248	-
Repairs and maintenance	1,000	5,660	5,510	150
Vehicle expense	24,000	31,481	31,388	93
Utilities	4,500	3,002	3,002	-
Insurance	3,500	2,823	2,016	807
Professional services	11,500	13,076	17,008	(3,932)
Fees on fines	-	3,746	15,006	(11,260)
Total public safety: Police	<u>229,681</u>	<u>253,375</u>	<u>278,608</u>	<u>(25,233)</u>
Fire protection				
Supplies	-	19,302	19,302	-
Public works				
Salaries	2,190	-	-	-
Repairs and maintenance	1,500	2,024	2,024	-
Vehicle expense	700	-	-	-
Utilities	22,400	30,819	30,820	(1)
Sanitation	59,000	54,953	54,924	29
Total public works	<u>85,790</u>	<u>87,796</u>	<u>87,768</u>	<u>28</u>
Cemetery	10,400	4,200	8,400	(4,200)
Debt service	-	-	2,075	(2,075)
Total expenditures before other financing sources (uses)	<u>441,201</u>	<u>467,638</u>	<u>504,297</u>	<u>(36,659)</u>
<b>Other financing uses:</b>				
Interest income	(1,200)	(191)	(162)	(29)
Transfer in	<u>(90,750)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing uses	<u>(91,950)</u>	<u>(50,191)</u>	<u>(50,162)</u>	<u>(29)</u>
Total other expenditures	349,251	417,447	454,135	(36,688)
Net change in fund balances	-	(10,976)	(63,190)	(52,214)
<b>Fund balances - beginning</b>	<u>614,470</u>	<u>614,470</u>	<u>614,470</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 614,470</u>	<u>\$ 603,494</u>	<u>\$ 551,280</u>	<u>\$ (52,214)</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statements of Net Assets**  
**Proprietary Funds**  
Year Ended September 30, 2010

	<b>Waterworks Fund 2010</b>	<b>Gas Fund 2010</b>	<b>Total Enterprise Funds 2010</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 82,883	\$ 234,880	\$ 317,763
Due from other funds	-	491,187	491,187
Accounts receivable	27,043	9,225	36,268
Interest receivable	43	69	112
Prepaid expenses	167	167	334
<b>Total current assets</b>	<u>110,136</u>	<u>735,528</u>	<u>845,664</u>
<b>Restricted assets:</b>			
Cash and investments	38,905	57,535	96,440
<b>Total restricted assets</b>	<u>38,905</u>	<u>57,535</u>	<u>96,440</u>
<b>Non-current assets:</b>			
<b>Capital assets:</b>			
Land	29,150	-	29,150
Utility system	2,779,590	320,408	3,099,998
Machinery and equipment	95,436	59,396	154,832
Less accumulated depreciation	1,946,015	338,640	2,284,655
<b>Total non-current assets</b>	<u>958,161</u>	<u>41,164</u>	<u>999,325</u>
<b>Total assets</b>	<u>1,107,202</u>	<u>834,227</u>	<u>1,941,429</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Due to other funds	173,546	-	173,546
Accounts payable	13,245	76,740	89,985
Accrued expenses	3,317	3,702	7,019
Customer deposits	26,138	38,320	64,458
Unredeemed bonds and interest	-	1,309	1,309
<b>Total current liabilities</b>	<u>216,246</u>	<u>120,071</u>	<u>336,317</u>
<b>Total liabilities</b>	<u>216,246</u>	<u>120,071</u>	<u>336,317</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	958,161	41,164	999,325
Unrestricted	(67,205)	672,992	605,787
<b>Total net assets</b>	<u>\$ 890,956</u>	<u>\$ 714,156</u>	<u>\$ 1,605,112</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statements of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
Year Ended September 30, 2010

	<u>Waterworks Fund 2010</u>	<u>Gas Fund 2010</u>	<u>Total Enterprise Funds 2010</u>
<b>Operating revenues:</b>			
Charges for services	\$ 247,018	\$ 453,522	\$ 700,540
<b>Operating expenses:</b>			
Personnel services	60,017	60,301	120,318
Materials and supplies	23,722	12,871	36,593
Chemicals	3,270	-	3,270
Electricity	18,114	469	18,583
Natural gas costs	-	190,352	190,352
Fuel	4,078	4,357	8,435
Contractual services	18,762	7,442	26,204
Repairs and maintenance	21,943	22,499	44,442
Insurance	262	262	524
Professional services	5,354	12,624	17,978
Personnel Training	361	860	1,221
Depreciation	75,707	8,661	84,368
Bad debts expense (recovery)	988	(311)	677
Total operating expenses	<u>232,578</u>	<u>320,387</u>	<u>552,965</u>
Operating income	<u>14,440</u>	<u>133,135</u>	<u>147,575</u>
<b>Nonoperating income:</b>			
Earnings on investments	<u>208</u>	<u>1,451</u>	<u>1,659</u>
Total nonoperating income	<u>208</u>	<u>1,451</u>	<u>1,659</u>
Income before transfers	14,648	134,586	149,234
Transfer out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Change in net assets	14,648	84,586	99,234
<b>Total net assets - beginning</b>	<u>876,308</u>	<u>629,570</u>	<u>1,505,878</u>
<b>Total net assets - ending</b>	<u>\$ 890,956</u>	<u>\$ 714,156</u>	<u>\$ 1,605,112</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statements of Cash Flows**  
**Proprietary Funds**  
Year Ended September 30, 2010

	Governmental Activities -		Enterprise
	Funds		Total
	Waterworks Fund 2010	Gas Fund 2010	Enterprise Funds 2010
<b>Cash flows from operating activities:</b>			
Cash received for utility services	\$ 245,988	\$ 459,803	\$ 705,791
Payments for personnel services	(57,887)	(58,371)	(116,258)
Purchase of materials and supplies	(23,941)	(14,938)	(38,879)
Purchase of chemicals	(3,664)	-	(3,664)
Payments for electricity	(17,881)	(471)	(18,352)
Purchase of natural gas	-	(190,642)	(190,642)
Purchase of fuel	(3,979)	(4,611)	(8,590)
Payments for contractual services	(17,522)	(7,442)	(24,964)
Payments for repairs and maintenance	(21,840)	(23,144)	(44,984)
Insurance premiums paid	(209)	(209)	(418)
Payments for professional services	(6,553)	(12,909)	(19,462)
Payments to other funds	-	(50,000)	(50,000)
Net cash provided by operating activities	<u>92,512</u>	<u>97,066</u>	<u>189,578</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds	148,642	152,087	300,729
Transfers to other funds	<u>(193,059)</u>	<u>(189,620)</u>	<u>(382,679)</u>
Net cash used for noncapital financing activities	<u>(44,417)</u>	<u>(37,533)</u>	<u>(81,950)</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on notes	<u>(348)</u>	<u>(348)</u>	<u>(696)</u>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(1,350)	-	(1,350)
Interest received	<u>206</u>	<u>1,478</u>	<u>1,684</u>
Net cash provided by (used for) investing activities	<u>(1,144)</u>	<u>1,478</u>	<u>334</u>
Net increase in cash and cash equivalents	46,603	60,663	107,266
<b>Cash and cash equivalents - beginning</b>	<u>75,185</u>	<u>231,752</u>	<u>306,937</u>
<b>Cash and cash equivalents - ending</b>	<u>\$ 121,788</u>	<u>\$ 292,415</u>	<u>\$ 414,203</u>

The notes to the financial statements are an integral part of this statement.

**Town of Utica, Mississippi**  
**Statements of Cash Flows**  
**Proprietary Funds**  
Year Ended September 30, 2010

	Governmental Activities -		Enterprise
	Funds		Total
	Waterworks Fund 2010	Gas Fund 2010	Enterprise Funds 2010
Cash as presented on the statement of net assets:			
Cash and investments - unrestricted	\$ 82,883	\$ 234,880	\$ 317,763
Cash and investments - restricted	38,905	57,535	96,440
	<u>\$ 121,788</u>	<u>\$ 292,415</u>	<u>\$ 414,203</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 14,440	\$ 133,135	\$ 147,575
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	75,707	8,661	84,368
Provision for bad debts (Bad debt recovery)	988	(311)	677
(Increase) decrease in accounts receivable	(2,022)	4,720	2,698
Decrease in prepaid expenses	53	53	106
Increase (decrease) in accounts payable	755	(2,664)	(1,909)
Increase in accrued expenses	1,991	2,377	4,368
Increase in customer deposits	600	1,095	1,695
Payments to other funds	-	(50,000)	(50,000)
Total adjustments	<u>78,072</u>	<u>(36,069)</u>	<u>42,003</u>
Net cash provided by operating activities	<u>\$ 92,512</u>	<u>\$ 97,066</u>	<u>\$ 189,578</u>

The notes to the financial statements are an integral part of this statement.

## TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

---

### Note 1 - Summary of significant accounting policies:

The Town of Utica, Mississippi (the Town), operates under a Mayor-Aldermen form of government and provides the following services: Public Safety - Police, Fire, Highways and Streets, Water and Sewer, Sanitation, Natural Gas, Culture - Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

#### *Reporting entity:*

In considering how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the government's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town determined that there are no entities that should be considered component units of the Town.

### **Government-wide and fund financial statements**

#### *Government-wide financial statements:*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund, or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

## TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2010

### Note 1 - Summary of significant accounting policies (Continued):

#### *Fund financial statements:*

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

#### **Measurement focus, basis of accounting, and financial statement presentation**

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include; sales and use taxes, property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**TOWN OF UTICA, MISSISSIPPI**

Notes to Financial Statements

September 30, 2010

---

**Note 1 - Summary of significant accounting policies (Continued):**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as needed.

**Fund types and major funds**

*Governmental funds:*

The Town reports the following major governmental fund:

General Fund – reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

*Proprietary funds:*

The Town reports the following major enterprise funds:

Waterworks and Sewerage Utilities Fund (WWSF) accounts for the operating activities of the Town's waterworks and sewerage system utilities services.

Natural Gas Utilities Fund (NGUF) accounts for the operating activities of the Town's natural gas utilities services.

**Cash and investments**

The Town deposits excess funds in financial institutions selected by the Town Board of Aldermen and Mayor in accordance with state statutes. Cash consists of amounts on deposit with financial institutions including savings accounts and certificates of deposit.

The Town reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

State statutes impose various restrictions on these deposits. These restrictions are summarized as follows:

All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) must be collateralized in an amount equal to 105% of the uninsured amount.

**TOWN OF UTICA, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2010

---

**Note 1 - Summary of significant accounting policies (Continued):**

**Prepaid expenses**

Prepaid expenses record payments to vendors that benefit future reporting periods and are reported on the consumption basis.

**Capital assets and depreciation**

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or estimated historical cost if actual historical cost is not available and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets of the general fund are not depreciated. Capital assets of the proprietary funds are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-50
Improvements, other than buildings	2-50
Mobile equipment	3-30
Furniture, machinery, and equipment	3-30

**Capitalized interest**

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

**Long-term debt, deferred debt expense, and bond discounts/premiums**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of their respective bonds using a method that approximates the effective interest method.

**TOWN OF UTICA, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2010

---

**Note 1 - Summary of significant accounting policies (Continued):**

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**Fund equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

**Compensated absences**

Full-time, permanent employees are granted forty hours vacation benefits per year in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. Police officers are not entitled to their proportionate sick leave balance until they retire or become disabled. However, these employees historically remain with the Town until retirement. Selected management employees are entitled to varying amounts of accrued sick and vacation leave balances at termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

**Budget policy and practice**

1. Prior to September 1, the Town Board of Aldermen and Mayor compile a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Town to obtain taxpayer comments.
3. Prior to October 1, the modified accrual basis budget is legally adopted by the Board of Aldermen and Mayor.
4. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Aldermen and Mayor must approve any revisions that alter the total expenditures of any fund.
5. At September 30 of each year, the budget for the year then ending expires, therefore all related appropriations lapse at that time. The Town does not utilize encumbrances.

**TOWN OF UTICA, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2010

---

**Note 1 - Summary of significant accounting policies (Continued):**

Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. Individual amendments were not material in relation to the original appropriations that were adopted.

*Due to/from other funds:*

Noncurrent portions of long-term interfund loans receivable (reported in "due from" accounts) are equally offset in governmental fund types by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long-term interfund loans receivable (reported in "due from" asset accounts) are considered "available spendable resources".

*Transactions between funds:*

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**Note 2 – Deposits:**

It is the Town's policy for deposits to be 105 percent secured by collateral valued at market or par whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end.

The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Town or by its agent in the Town's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 – Uncollateralized.

All bank balances of deposits as of September 30, 2010, are entirely insured or collateralized with securities held by the Town or by its agent in the Town's name.

**TOWN OF UTICA, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2010

**Note 2 – Deposits (Continued):**

Deposits, categorized by level of risk are:

	<u>Category 1</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
<i>Primary Government</i>			
<i>Government activities</i>			
General Fund	\$ 128,915	\$ 128,915	\$ 128,915
 <i>Business-type activities</i>			
Major Funds:			
Waterworks and Sewerage Fund	121,788	121,788	121,788
Natural Gas Fund	<u>292,415</u>	<u>292,415</u>	<u>292,415</u>
Total Deposits	<u>\$ 543,118</u>	<u>\$ 543,118</u>	<u>\$ 543,118</u>

Cash restricted for specified purposes at September 30, 2010, is comprised of the following:

<i>Governmental activities:</i>	
Street Grant	\$ 7
Home Grant	<u>1</u>
	<u>\$ 8</u>
 <i>Business-type activities:</i>	
Customer deposits	\$ 95,131
Unredeemed bonds and interest	<u>1,309</u>
	<u>\$ 96,440</u>

**TOWN OF UTICA, MISSISSIPPI**

Notes to Financial Statements

September 30, 2010

**Note 3 - Receivables, uncollectible accounts, and deferred revenue:**

*Enterprise receivables and uncollectible accounts:*

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within 30 days. The enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending upon the fund. Related amounts are shown in the following table.

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>WWSF</u>	<u>NGUF</u>	
Total accounts receivable, gross	\$ 29,043	\$ 11,225	\$ 40,268
Less: allowance for uncollectible accounts	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Net accounts receivable	<u>\$ 27,043</u>	<u>\$ 9,225</u>	<u>\$ 36,268</u>
Uncollectible amounts charged to (collected from) operations	<u>\$ 988</u>	<u>\$ (311)</u>	<u>\$ 677</u>

**Property, taxes receivable, deferred revenue, and property tax calendar**

*Property taxes:*

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on January 1 for the preceding calendar year, and are accrued at that time.

The Town's levy on property and automobiles is collected by Hinds County and remitted to the Town monthly and is recorded at that time. Hinds County also remits to the Town a pro-rata share of road and bridge taxes collected, which are recorded upon receipt.

**TOWN OF UTICA, MISSISSIPPI**

Notes to Financial Statements

September 30, 2010

**Note 4 – Capital assets:**

Capital asset activity for the year ended September 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 71,105	\$ -	\$ -	\$ 71,105
Building	149,548	5,500	-	155,048
Infrastructure	233,355	-	-	233,355
Machinery and equipment	<u>273,726</u>	<u>19,272</u>	<u>-</u>	<u>292,998</u>
Total capital assets, not being depreciated	<u>727,734</u>	<u>24,772</u>	<u>-</u>	<u>752,506</u>
Governmental activities capital assets	<u>\$ 727,734</u>	<u>\$ 24,772</u>	<u>\$ -</u>	<u>\$ 752,506</u>
Business-type activities:				
Capital assets, not being depreciated				
Land-Waterworks System	<u>\$ 29,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,150</u>
Total capital assets, not being depreciated	<u>29,150</u>	<u>-</u>	<u>-</u>	<u>29,150</u>
Capital assets, being depreciated:				
Waterworks and sewerage system	2,779,590	-	-	2,779,590
Natural gas system	320,408	-	-	320,408
Machinery and equipment-Waterworks System	94,086	1,350	-	95,436
Machinery and equipment-Gas System	<u>59,396</u>	<u>-</u>	<u>-</u>	<u>59,396</u>
Total capital assets, being depreciated	<u>3,253,480</u>	<u>1,350</u>	<u>-</u>	<u>3,254,830</u>
Accumulated depreciation for:				
Waterworks System	(1,870,308)	(75,707)	-	(1,946,015)
Gas System	<u>(329,979)</u>	<u>(8,661)</u>	<u>-</u>	<u>(338,640)</u>
Total accumulated depreciation	<u>(2,200,287)</u>	<u>(84,368)</u>	<u>-</u>	<u>(2,284,655)</u>
Total capital assets, being depreciated, net	<u>1,053,193</u>	<u>(83,018)</u>	<u>-</u>	<u>970,175</u>
Business-type activities capital assets, net	<u>\$ 1,082,343</u>	<u>\$ (83,018)</u>	<u>\$ -</u>	<u>\$ 999,325</u>

**TOWN OF UTICA, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2010

**Note 4 – Capital assets (Continued):**

Depreciation expense recorded in proprietary funds for the year ended September 30, 2010 was as follows:

Waterworks System	\$ 75,707
Gas System	<u>8,661</u>
	<u>\$ 84,368</u>

**Note 5 - Interfund balances:**

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Individual interfund receivable and payable balances at September 30, 2010, consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General	\$ -	\$ 317,641
Natural Gas System	491,187	-
Waterworks and Sewerage System	<u>-</u>	<u>173,546</u>
	<u>\$ 491,187</u>	<u>\$ 491,187</u>

**Note 6 - Long-term debt:**

*Business-type activities:*

In order to finance the construction of new wastewater facilities, the Town of Utica issued a 20-year note payable to the State of Mississippi Water Pollution Abatement Bond Fund. The note has a face value of \$250,000, 0% interest rate and is payable in monthly installments of \$1,042 for 20 years. The Town has authorized the Mississippi State Tax Commission to withhold this repayment from monthly sales tax receipts.

For purposes of financial statement presentation an interest rate of 7.82% was imputed upon issuance of the note. The imputed interest of \$123,779 represents capital contributed by the State of Mississippi. Amortization of the resulting discount in the amount of \$25,545 was reported as interest capitalized during the construction period for the year ended September 30, 1991.

**TOWN OF UTICA, MISSISSIPPI**

Notes to Financial Statements

September 30, 2010

**Note 6 - Long-term debt (Continued):**

The amount of bonded indebtedness that can be incurred by the Town is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such Town, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. During the year ended September 30, 2010, the amount of outstanding bond indebtedness was within the aforementioned limitations.

The Town also purchased a truck to be used by the enterprise funds. The truck was financed over a four year period with an interest rate of 4.42%.

Long-term liability activity for the year ended September 30, 2010 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>			<u>Balance</u>	<u>One Year</u>
<b>Business-type activities</b>					
Note Payable - BancorpSouth	\$ 696	\$ -	\$ 696	\$ -	\$ -

Interest expense for the year ended September 30, 2010, was \$2,075.

**Note 7 - Contributed capital:**

In order to finance the construction of wastewater treatment facilities the waterworks and sewerage system proprietary fund has received funds contributed from various sources.

During the year ended September 30, 1989, the Town received an interest free loan of \$250,000 from the State of Mississippi Water Pollution Abatement Bond Fund (See Note 6). The imputed interest of \$123,779 represents capital contributed by the State of Mississippi.

The Town has obtained construction grants from two Federal agencies. The purpose of the grants is to defray the cost of sewer system improvements.

The following is a summary of total contributed capital at September 30, 2010:

Federal Government (HUD/EPA)	\$1,223,344
State of Mississippi	123,779
Town General Fund	<u>85,987</u>
	<u>\$1,433,110</u>

**TOWN OF UTICA, MISSISSIPPI**

Notes to Financial Statements

September 30, 2010

**Note 8 - Economic dependency:**

The Town receives a substantial portion of its funding from State and County governmental authorities in the form of tax levies and grants. During the year ending September 30, 2010, the approximate percentage of total revenues from these funding sources is as follows:

State government	39.20%
County government	17.71%

**Note 9 – Risk management:**

The Town's risk management activities are reported with governmental activities and recorded in the General Fund and encompass employee life, health, property and liability, workers' compensation, unemployment, and disability insurance programs of the Town. These funds account for the risk financing activities of the Town but do not constitute a transfer of risk from the Town.

Significant losses are covered by commercial insurance except workers' compensation, for which the Town retains risk of loss. There have been no significant reductions in insurance coverage. Furthermore, the Town has not incurred significant insurance claims or settlements during the current year or in the three prior years.

**Note 10– Interfund transfers:**

During the year ended September 30, 2010, transfers among funds were utilized to provide cash flow for the Town's operating budget, as follows:

<u>WWSF</u> <u>Fund</u>	<u>NGUF</u> <u>Fund</u>	<u>General</u> <u>Fund</u>	<u>Totals</u>
\$ -	\$ (50,000)	\$ 50,000	\$ -

**Note 11 – Subsequent events:**

Subsequent events have been evaluated through January 31, 2011, which is the date the financial statements were available to be issued.



# **EUBANK & BETTS**

A Professional Limited Liability Company

**CERTIFIED PUBLIC ACCOUNTANTS**

3820 Interstate 55 North / Post Office Box 16090 / Jackson, Mississippi 39236-6090 / Phone (601) 987-4300 / Fax (601) 987-4314

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Board of Aldermen  
Town of Utica, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Utica, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Utica, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Utica, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement on the

entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. Finding 10-01.

A significant deficiency is a deficiency, or a combination deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. Finding 10-02 and 10-03.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Utica, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are included in the accompanying Independent Auditors' Report on Compliance with State Laws and Regulations.

We noted certain other matters that we have reported to management of the Town of Utica, Mississippi, in a separate letter dated January 31, 2011.

The Town of Utica, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Utica, Mississippi's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the entity, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
EUBANK & BETTS, PLLC

Jackson, Mississippi  
January 31, 2011



# EUBANK & BETTS

A Professional Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

3820 Interstate 55 North / Post Office Box 16090 / Jackson, Mississippi 39236-6090 / Phone (601) 987-4300 / Fax (601) 987-4314

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

The Honorable Mayor and Board of Aldermen  
Town of Utica, Mississippi

We have audited the accompanying financial statements of the Town of Utica, Mississippi as of and for the year ended September 30, 2010, and have issued our report thereon dated January 31, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

### Finding 10-01

#### Finding

Section 21-35-13, Miss Code Ann. (1972) requires the Town Clerk to submit a report to the board on a monthly basis showing the expenditures and liabilities incurred against each separate budget item for the preceding month.

#### Recommendation

We recommend the Town Clerk present the required monthly reports to the board at each regular monthly meeting.

#### Response

In the future, the Town Clerk will abide by the requirements of furnishing the board with the required monthly reports.

### Finding 10-02

#### Finding

Section 21-35-15, Miss Code Ann. (1972) does not allow the amount appropriated and

authorized to be expended for any line item of the budget to be exceeded.

Recommendation

We recommend the Town revise its budget to ensure budget items are not exceeded.

Response

In the future, the Town will abide by the requirements of of the statues and amend the budget as necessary.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the Town's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
EUBANK & BETTS, PLLC

January 31, 2011

**TOWN OF UTICA, MISSISSIPPI**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2010

---

**Section 1 : Summary of Auditors' Results**

**Financial Statements:**

- |   |                    |
|---|--------------------|
| (1) Type of auditors' report issued on the statements:  | <u>Unqualified</u> |
| (2) Internal Control over financial reporting:  |                    |
| (a) Material weakness(es) identified?   | <u>Yes</u>         |
| (b) Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>Yes</u>         |
| (3) Noncompliance material to the primary government financial statements:                    | <u>No</u>          |

**Section 2 : Financial Statement Findings**

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

**Material Weakness in Internal Control**

**10-01 Finding**

**Condition:** As a result of our audit procedures, significant adjustments to the financial statements were required to be made in order for the financial statements to be fairly stated.

**Cause:** The Town lacks the accounting expertise to record all the required adjustments for the financial statements to be in accordance with generally accepted accounting principles.

**Effect:** The Town's periodic financial statements are not in accordance with generally accepted accounting principles.

**Management's response:** It is not financial feasible for the Town to hire personnel to ensure that the financial statements contain all the required adjustments.

**10-02 Finding**

**Condition:** Receipts taken for payments of police fines could not be traced to the documentation that indicated it was deposited into the bank.

**Cause:** The Town does not have adequate procedures in place to ensure all funds received are accounted for.

**Effect:** The Town is at risk of fraud due to missappropriation of assets.

**Management's response:** The Town will implement oversight procedures to ensure funds received for police fines are properly accounted for.

### **Significant Deficiencies in Internal Control**

#### **10-03 Finding**

**Condition:** Lack of segregation of duties. The Town office personnel opened mail, recorded checks, billed utilities, made deposits, and reconciled bank accounts. This condition causes a lack of separation of duties for handling cash receipts, billings and accounts receivable.

**Cause:** A small number of office personnel does not allow for segregation of duties necessary for proper internal control. Internal control accounting principles regarding the separation of financial duties were not possible, and there was no written organizational policy that addressed cash receipt handling.

**Effect:** The Town is at risk of fraud due to lack of segregation of duties for proper internal controls.

**Management's response:** The Mayor is taking active participation in the day to day operations of the Town's finances. The Town will write and implement a policy that addresses separation of duties for handling cash receipts in accounts receivable. It is not financially feasible to hire personnel to ensure proper segregation of duties.

#### **10-04 Finding**

**Condition:** Payments for expenses being made from statements with no indication that the items purchased were received.

**Cause:** Receipt tickets obtained at time of picking up supplies are not being reconciled to or placed with the statements received prior to statements being paid.

**Effect:** The Town is at risk of fraud due to possibility of paying for supplies not received.

**Management's response:** The Town Clerk will start attaching receipt tickets to the statements to verify items on the statements were actually received.

**Town of Utica, Mississippi**  
**Schedule of Revenues by Source and Expenditures by Function**  
**General Fund**  
Year Ended September 30, 2010

	<u>Total</u>	<u>Percentage</u>
<b>Revenues by source:</b>		
Property taxes	\$ 68,760	15.59%
Sales taxes	147,677	33.48%
Licenses and permits	2,728	0.62%
Fines and forfeits	73,401	16.64%
Utility franchise fees	12,543	2.84%
Public works	59,645	13.52%
Intergovernmental revenues	9,748	2.21%
Miscellaneous	16,443	3.73%
Interest	162	0.04%
Transfers	<u>50,000</u>	<u>11.33%</u>
Total revenues by source	<u>\$ 441,107</u>	<u>100.00%</u>
<b>Expenditures by function:</b>		
General government	\$ 108,144	21.44%
Public safety:		
Police	278,608	55.25%
Fire protection	19,302	3.83%
Public works	87,768	17.40%
Cemetery	8,400	1.67%
Interest	<u>2,075</u>	<u>0.41%</u>
Total expenditures by function	<u>\$ 504,297</u>	<u>100.00%</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF UTICA, MISSISSIPPI**  
 Schedule Reconciling Original Ad Valorem Tax Rolls  
 To Fund Collections on 2009 Ad Valorem Taxes  
 For the Year Ended September 30, 2010

	<u>Assessed Value</u>	<u>Tax</u>
<u>Assessments:</u>		
City tax:		
Realty	\$2,055,442	
Personal - other than auto	358,253	
Utilities	<u>422,200</u>	
Total city at 20 mills	<u>\$2,835,895</u>	\$ 56,718
Add:		
Over 65 homestead reimbursement		4,989
Interest, penalties and other		-
Deduct:		
Over 65 homestead allowed		<u>(5,516)</u>
<u>Total assessments</u>		56,191
<u>Credits:</u>		
Collections allocated to:		
General Fund		<u>55,096</u>
<u>Balance</u>		<u>\$ 1,095</u>
<u>Balance represented by:</u>		
Unpaid personal - current		\$ 1,095
Less: allowance for doubtful accounts		<u>500</u>
Taxes receivable, less allowance for doubtful accounts		<u>\$ 595</u>

**TOWN OF UTICA, MISSISSIPPI**  
 Schedule of Surety Bonds for Municipal Officials  
 September 30, 2010

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Mark Morgan	Mayor	Travelers	\$50,000
Doris Ross	Alderman-at-Large	Travelers	\$25,000
Houston Mathes	Alderman, Ward 1	Travelers	\$25,000
Mary Ann Keith	Alderman, Ward 2	Travelers	\$25,000
Kenneth Frazier, Jr.	Alderman, Ward 3	Travelers	\$25,000
Kenneth Broome	Alderman, Ward 4	Travelers	\$25,000
Lisa Morris	Town Clerk	Travelers	\$50,000
Mary Moreland	Deputy Clerk	Travelers	\$50,000
Mary Moreland	Court Clerk	Travelers	\$50,000
Jessica Boyd	Court Clerk	Travelers	\$50,000
Timothy Myles	Chief of Police	Travelers	\$50,000